Weekly Economic Review

Oil production remains near historic high

Supply and Disposition of Oil

Non-conventional production grows in 2016

Oil production retreated slightly in December but remained near the record level set in November. Alberta produced 3.2 million barrels of oil per day, down 4.6% month-over-month (m/m) but up 2.9% year-over-year (y/y) due to higher non-conventional oil production (+4.9% y/y). Overall in 2016, non-conventional output expanded (+1.4%) as bitumen production (+5.6%) outweighed falling synthetic crude output (-4.8%). However, lower conventional production (-11%) combined with fire-related disruptions dragged down overall production by 0.9% in 2016.

Rigs Drilling

Firmer oil prices encourage drilling activity

Drilling activity in Alberta continues to surpass year-ago levels. The number of active rigs averaged 188 in February 2017, up 67% y/y. The improvement in drilling activity in Alberta outpaced the rest of Canada where the number of active rigs grew by only 5.7% y/y (Chart 1). On a month-over-month basis, however, rig counts slipped slightly (-6% m/m) despite February typically being one of the busiest months for drilling rigs. Despite the annual increase, rigs drilling remained less than half of the average in 2010-2014. Meanwhile, Alberta's rig utilization was roughly unchanged at 43% in February and continues to be higher than last year.

Metres Drilled

Broad-based gains lift metres drilled

Metres drilled ended 2016 on a positive note. Metres drilled rose 7.4% m/m in December to reach its highest level in 2016. Compared to the previous year, metres drilled posted its third consecutive month of increase (+55% y/y). Continued growth in metres drilled for bitumen (+31% y/y) and conventional oil (+168% y/y) was accompanied by higher natural gas metres (+22% y/y) which had declined for the most part of the year. Overall in 2016, metres drilled were down 20%.

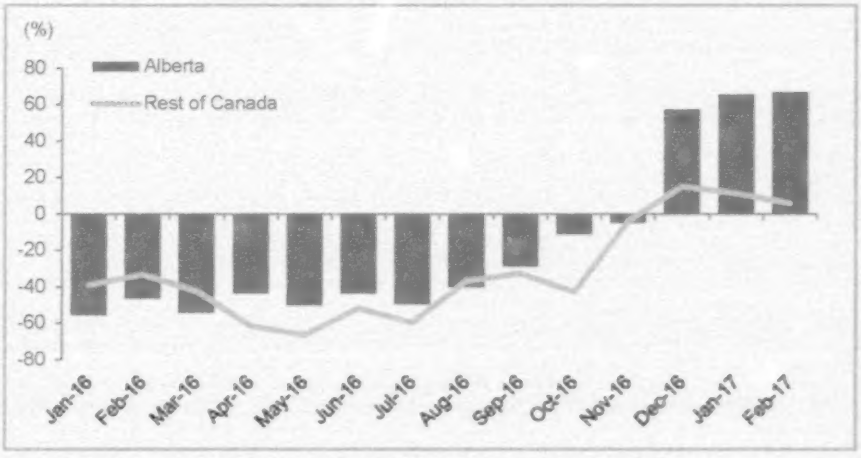
Canadian GDP

Q4 GDP growth beats expectations

The Canadian economy expanded at a solid pace in the fourth quarter of 2016. Real GDP grew at an annualized rate of 2.6%, slower than the 3.8% growth recorded in third quarter but faster than the 5-year average growth of 2%.The strength was largely attributable to a significant improvement in net exports, as the impact of a large one-time import of equipment for the Hebron offshore oil project resulted in a sharp drop in imports (-13.5%). On the domestic front, household consumption (+2.6%) and residential structure investment grew (+4.8%). Meanwhile, non-residential structure investment reversed gains from the previous quarter (-17.4%) due to the delivery of the Hebron oil platform and weaker spending on machinery equipment. Real GDP rose 1.4% in all of 2016.

Chart 1: Recovery in Alberta's drilling activity outpaces Canada

Year-over-year growth in the number of active rigs



Source: Canadian Association of Oilwell Drilling Contractors

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Please see the *Alberta Economy- Indicators at a Glance* for a snapshot of Alberta indicators.